

Upgraded bonds of Kobe Steel to A: Affirmed J-1 on CP

October 4, 2004

Issuer: *Kobe Steel, Ltd.* (securities code no.: 5406)

JCR has upgraded the ratings on the bonds and euro medium term note programme of the issuer from A- to A while affirming the J-1 rating on the CP program.

Issuer	Issues	Amount (mn)	Issue Date	Due Date	Rating
Kobe Steel	bonds no.34	15,000	2001.5.23	2005.5.26	A
	bonds no.32	10,000	2000.8.10	2005.8.10	A
	bonds no.19	5,000	1998.2.23	2006.2.23	A
	bonds no.36	20,000	2003.5.12	2006.5.12	A
	bonds no.30	10,000	2000.6.1	2006.6.1	A
	bonds no.35	15,000	2001.6.13	2006.6.13	A
	bonds no.38	10,000	2003.6.24	2007.6.22	A
	bonds no.9	10,000	1997.6.26	2007.6.26	A
	flt.rt.bonds no.33	10,000	2000.10.16	2007.10.16	A
	bonds no.15	10,000	1998.1.30	2008.1.30	A
	bonds no.18	3,000	1998.2.19	2008.2.19	A
	bonds no.21	15,000	1998.4.3	2008.4.3	A
	bonds no.37	10,000	2003.5.13	2008.5.13	A
	bonds no.24	8,000	1998.6.17	2008.6.17	A
	bonds no.20	5,000	1998.3.5	2008.9.5	A
	bonds no.40	10,000	2003.11.14	2008.11.14	A
	bonds no.26	10,000	1999.3.10	2009.3.10	A
	bonds no.41	10,000	2004.6.4	2009.6.4	A
	bonds no.10	10,000	1997.7.24	2009.7.24	A
	bonds no.11	10,000	1997.8.20	2009.8.20	A
	bonds no.13	10,000	1997.10.23	2009.10.23	A
	bonds no.29	10,000	1999.11.4	2009.11.4	A
	bonds no.31	10,000	2000.6.1	2010.6.1	A
	bonds no.39	10,000	2003.6.24	2010.6.24	A
	bonds no.4	20,000	1996.12.20	2011.12.20	A
	bonds no.5	20,000	1997.1.10	2012.1.10	A

Euro Medium Term Note Programme	Maximum	Program Established
	US\$600 million	September 30, 1999

CP	Maximum	Backup Line
	Y150 billion	0%

<Rationale>

□ Kobe Steel is expected to record an all-time high pretax profit before extraordinary items for fiscal 2004 for the first time in 14 years. Good steel businesses, good performance of each of the group companies and contribution from IPP to increasing the overall earnings boost the profit. IPP business is considered to be a stable earnings source over the long period. Its integration of management is now paying off. Whether Kobe Steel can limit deterioration in performance to the minimum will be a litmus test for the management style. Kobe Steel started taking measures to improve the financial structure earlier. Improvement has been made speedily. The financial structure will be improved further in the future.